



MD Financial  
Management  
CMA Companies

# Should I Incorporate My Medical Practice Now?

Proposed tax changes for incorporated businesses and their potential impact

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# Why Do Physicians Incorporate?

The primary reasons that physicians have used to benefit from incorporation are:

**Retain earnings and invest**

**Income sprinkling**

These were most frequently used to make current income more tax efficient and to enhance retirement plans.



# Proposed Tax Changes

- ◆ On July 18, federal Finance Minister Bill Morneau released a policy paper entitled “Tax Planning Using Private Corporations.”
- ◆ It included proposed legislative changes and a 75-day public consultation period, ending Oct. 2, 2017.
- ◆ Adjustments to the proposals were announced between Oct 16-20.



# What Was Proposed?

The consultation paper proposed changes to tax law that are grouped into three areas:

1. Splitting income using private corporations
  2. Holding a passive investment portfolio inside a private corporation
  3. Converting a private corporation's regular income into capital gains
- ◆ MD Financial Management prepared a detailed analysis of the proposed tax changes and related updates made the week of October 16, 2017 at [www.md.cma.ca](http://www.md.cma.ca).

## Tax Planning Using Private Corporations, What's Next: A Summary of Finance Announcements

Posted Jul 24, 2017, 13:17 PM | BY EILEEN MALTINSKY



As part of the 2017 federal budget in March, the government indicated it would review certain tax reduction strategies now available to private corporations. MD has been tracking developments closely, on behalf of our physicians who are incorporated.

On July 18, Finance Minister Bill Morneau followed up with the release of the Department of Finance's long awaited policy paper entitled "[Tax Planning Using Private Corporations](#)". It outlines proposed legislative changes open to a 75-day public consultation period, ending October 2, 2017.

# Update: Passive Investments

**On October 18, the federal government announced that it will be making revisions to one of its proposed changes: the holding of a passive investment portfolio in a private corporation.**

- ◆ The government has proposed to allow for a \$50,000 threshold of annual passive investment income to be earned before an increased tax rate would apply.
- ◆ The announcement assumed a 5% return on investment, which suggests that the government considers private corporations could maintain passive investments of about \$1 million before being subjected to any new tax rules.
- ◆ The government has recommitted to “grandfathering” existing passive investment portfolios held in private corporations.
- ◆ The government plans to introduce draft legislation related to these tax measures in the 2018 budget.

# What the CMA Has Been Doing

- ◆ Retained government relations, legal and tax experts, and working with MD Financial Management to analyze the proposal and respond to it, in the form of a comprehensive brief to the government.
- ◆ Participated in an alliance of over 75 organizations (*Coalition for Small Business Tax Fairness*) to strengthen our advocacy focus and align our efforts with other small business owners.
- ◆ Coordinated its work with PTMAs as well as national specialty societies to represent the interest of the profession.
- ◆ Presented to the Standing Committee on Finance twice, the Senate committee studying the issue once and met directly with Bill Morneau and his team.

# What the CMA Is Doing

- ◆ Supporting members in their individual advocacy efforts (e.g., outreach to their MPs).
  - [CMA.CA – Tax Reform Issues Page](#)
- ◆ Providing regular updates to the full membership, responding to email and telephone inquiries, and capturing member feedback, testimonials and insights:
  - CMA President message to members
  - Tax Alert Newsletter (Weekly)
  - CMA Bulletins
- ◆ Using social and traditional media to educate and inform the public of the serious impact of the proposed changes.

# What You Can Do

It is important that physicians share their perspectives with their MPs and the Department of Finance. Members can send a customized letter to their MP using the letter writing tool on the CMA web page dedicated to tax issues at [www.cma.ca/En/Pages/tax-issues.aspx](http://www.cma.ca/En/Pages/tax-issues.aspx).





# Stay Informed

- ◆ Review the detailed analysis of the proposed changes on [md.cma.ca](http://md.cma.ca).
- ◆ Monitor [cma.ca](http://cma.ca) and [md.cma.ca](http://md.cma.ca) and the CMA and MD social channels for updates.
- ◆ Contact your MD Financial Advisor and tax professional to determine how proposed changes might impact your personal financial well-being.
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